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PART I—Section 1

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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।

Separate paging is given to this Part in order that it may be filed as a separate compilation.

MINISTRY OF STEEL MINES AND METALS

(Department of Iron and Steel)

RESOLUTION

New Delhi, the 10th May, 1968

No. SC-II-14(3)/68.—In their Resolution No. SC(II)-14(19)/66, dated the 12th September, 1966, the Government of India had, on the recommendations of the Public Accounts Committee for the year 1965-66 in paragraphs 4.167 of their 50th Report and 2.30 of their 56th Report, appointed a Committee of Inquiry (Steel Transactions), consisting of Shri A. K. Sarkar, former Chief Justice of India as Chairman, Shri V. S. Hejmadi, former Chairman of the Union Public Service Commission and Shri P. C. Padhi, former Chairman of the Central Board of Revenue and former Deputy Comptroller and Auditor General of India as Members to conduct a thorough and comprehensive inquiry into all aspects of the working of the Ministry of Iron and Steel with reference to the parties mentioned in the 50th Report and to further enquire into transactions relating to other parties to whom large licences/permits had been issued from 1951-52 onwards. In the terms of reference the Committee was asked to investigate into the transactions, enquire if

any irregularities or defaults were committed, identify the persons responsible for such irregualrities/defaults and recommend action, if any, departmental, civil, or criminal that should be taken against any person.

To facilitate the work of the Committee of Inquiry (Steel Transactions) certain provisions of the Commissions of Inquiry Act, 1952 were extended to this Committee *vide* Government of India Resolution No. SC(II)-14(19)/66, dated the 7th October, 1966.

The Committee invited the public through an advertisement in the leading newspapers, English and Vernacular and by publishing in the Gazette of India, to submit any information that they may have in respect of the transactions which were to be enquired into.

The Committee have investigated into all the semis barter deals, unauthorised imports and other specific cases mentioned in the 50th, 55th and 56th Reports of the Public Accounts Committee (1965-66) and also about 50 per cent. of the cases in which records were available of the large licences/permits that were issued during the period 1951-52 to 1965-66. Besides, the Committee also investigated into the cases mentioned in audit para. 75 of the Audit Report (Civil), 1965, which was subject matter of comment in para. 2.57 of the 5th Report of the Public Accounts Committee (1967-68) and which was specifically referred by the Government to the Committee.

The Committee submitted its Report on the 29th February, 1968. It is a thorough and comprehensive enquiry into all aspects of the transactions including policy decisions. The Committee have carefully examined the issues that emerged and have brought out the specific irregularities/defaults which had been committed and have recommended action wherever necessary against the persons responsible.

The Report was forwarded to the Central Vigilance Commission as required by the established procedure of Government for giving their views. The Central Vigilance Commission has agreed with all the recommendations of the Committee. The Government have, after full consideration of the Report including the note of dissent and the views of the Central Vigilance Commission, accepted *in toto* all the recommendations of the Committee. A summary of the recommendations of the Committee and the Government's decisions thereon is given in the Annexure

The Chairman of the Committee, while forwarding the Report, has in para. 6 of his letter, dated the 29th February, 1968 expressed the view that the subject matter of the inquiry is not what is specially suited for being dealt with through a Committee and that considering the time and labour spent the results do not seem to be commensurate and, therefore, the Committee were sceptical of the value of continuing the investigation into the remaining cases. The Government, while accepting the view of the Committee have decided that the remaining cases should be investigated into and for that purpose a senior officer on special duty with necessary supporting staff be appointed.

Wherever the Committee has recommended departmental action against officials, special steps will be taken to give effect to these recommendations so that there is no delay. In regard to the general recommendations that the efficiency of the office of the Iron and Steel Control should be considerably improved, this is already the subject matter of the Report of the Khadilkar Study Team and separate action has been taken.

Government wish to place on record their high appreciation of the thoroughness with which the Committee has investigated into the cases and has examined the evidence, documentary and oral, and made suitable recommendations.

ORDER

ORDERED that a copy of this resolution be communicated to all concerned. Ordered also that the resolution be published in the Gazette of India for general information.

ANNEXURE

Sl. No.	Para. No. of Report	Committee's conclusions/recommendation	Government's decision
(1)	(2)	(3)	(4)
1.	3·4	In the context of the total amount of foreign exchange required for the import of finished steel, and the allocation of foreign exchange of the Ministry of Finance being inadequate, the formulation of the barter scheme, subject to the two conditions *viz.* additionality of exports and essentiality of import, was justified.	Accepted.
		Looking at the total amount of foreign exchange earned by exports and the total amount of foreign exchange spent on imports of steel it can be said that the barter deals put through by S.T.C. did not fail to generate the foreign exchange expended.	Noted.
2.	3·10	The Committee is of the view that it is wrong to say that only exports or imports were important and that the real situation would be that both were equally important.	Accepted.
3.	3·12	All the facts would go to show that Hindustan Steel Ltd. was kept in the picture during the formulation of semis barter policy and one of the objects of the barter scheme was to relieve them of their burden of semis.	Accepted.
4.	3·15	On the basis of materials placed before it, the Committee is unable to say that any non-essential item was imported under the semis barter deals.	Accepted.
5.	3·30	It would appear that the likely criticism that Shri Bhoothalingam confined the advantage of the barter scheme to a few select firms is ill-founded and that in actual fact all the proposals of the parties interested in the scheme were considered.	Accepted.
6.	3·31	The Committee is of the view that the production having commenced from about middle of 1959, it could be reasonably expected that there would be large quantities which would require disposal, and hence the barter scheme as envisaged in the letter 14-1-60, could be said to have been reasonably conceived.	Accepted.
7.	3·37	The Committee is not inclined to hold that the omission to adopt the tender method for the barter scheme was an irregularity. The Committee does not think that the reasons on which the decision not to follow the tender method was based were wholly ill-founded.	Accepted.
8.	3·38	In spite of all the steps that were taken, human element being there, risk of malpractices cannot be overruled.	Accepted.

(1)	(2)	(3)	(4)
9.	3·39	The Committee cannot conceive of what further care the Steel Controller could have been expected to take in dealing with these parties *viz.* Amin Chand Payare Lal Group of firms.	Accepted.
10.	3·40	The impression that the share of the import trade of Amin Chand Payare Lal Group in 1959 was negligible and that it shot up in 1960 would appear to be incorrect.	Accepted.
11.	4·7	The Ministry of Iron and Steel were apparently of the opinion that the imports were urgently required to maintain the economy of the country. The Committee has not come across any material to show that this opinion was not justified.	Accepted.
12.	4·10	In those cases where the Iron and Steel Controller had taken a decision to allow pre-import on the barterer producing an irrevocable letter of credit for part of the commitment to export, and for the balance to give a bank guarantee for 15% of the value of the import licence, this committee is of the view that he acted within the spirit of the procedure laid down, and that no irregularity has been committed which would call for action being taken.	Accepted.
13.	4·11	The Committee would like to point out that the release of bank guarantees in driblets was not correct for the reason that a bank guarantee is given for the fulfilment of the condition that the entire quantity contracted for export would be exported. Any part-exports made by the party would, therefore, not qualify for a proportionate reduction in the value of bank guarantee. Hence both the Steel Controller and the Ministry of Iron and Steel might be said to have made a substantial departure from the instruction laid down earlier.	Accepted. Departmental action will be taken.
14.	4.12	The policy of pre-import was adopted by the Steel Ministry in the case of scrap barter where the item of steel to be imported was urgently required but the export and the consequent earning of foreign exchange was likely to be delayed. The extension of this policy to the semis barter scheme was, therefore, logical.	Accepted.

(1)	(2)	(3)	(4)
		In view of the larger values involved in the semis barter deals, however, fixing the bank guarantee amount at 15% was not unjustified.	Accepted.
15.	4.13	In terms of the letter of 2nd February, 1960, the bank guarantees were to be forefeited in case of failure to earn the foreign exchange by export, "whatever be the reason therefor". But these words could not be said to include the failure on the part of H.S.L. to supply. Any other interpretation of these words would, in the circumstances of this case, be unreasonable and the Committee would not be prepared to accept any such meaning being attached to it.	Accepted.
16.	4.14	Considering all the circumstances of the case it would be difficult for the Committee to say that there was default on the part of the Iron and Steel Controller in not carrying out the direction contained in the letter of 2nd February, 1960 to the effect that the Iron and Steel Controller would have no further dealings with the firm in the event of their failure to earn the necessary foreign exchange.	Accepted.
17.	4.15 4.17	(*i*) The Committee is not prepared to disagree with the opinion of Shri S. C. Mukherjee that a commitment with Hindustan Steel, Ltd., was sufficient evidence of a definite commitment to export.	Accepted.
		(*ii*) The Committee is of the view that even though the import licences might not have been issued strictly on the terms stipulated in the letter of 2nd February, 1960, regarding the existence of firm contract for export, yet, the requirements were substantially fulfilled at one date or the other soon after the issue of the import licences and this departure did not cause any loss to the country or gain to any party.	Accepted.
18.	4.19	Since no bank guarantee has become unenforceable the Committee is unable to hold at this stage that the failure to enforce the bank guarantee has caused loss to the Government.	Accepted.
19.	4.21	(*i*) Foreign Exchange was not really lost to the country.	Accepted.
		(*ii*) The Committee is unable to attach any responsibility on any Officer for the shortfall in the earning of foreign exchange.	Accepted.
20.	5.4	The Committee is of the view that no special concession was shown to the barterers in making releases to their nominees as they themselves as controlled stockists were having the responsibility to entertain quota certificates to arrange for the planning of production and to deliver as and when stocks arrived. It would, therefore, appear that the same system was being followed in the distribution of barter imports also.	Accepted.

(1)	(2)	(3)	(4)
21.	6.3	The Committee has no reason to think that the practice of fixing import prices of steel items on the basis of prices quoted in the Continental Metal Bulletin was motivated by dishonest consideration.	Accepted.
22.	6.4	Since no quality extra has been mentioned for drum quality sheets in the "Benelux" list of extras, the Committee has to accept the statement of Shri Ramachandran, the then Price and Accounts Officer of Iron and Steel Control Office, that the quality extra could only be fixed by obtaining information from suppliers, which he did and there is no reason to doubt the bonafides of the statement of Shri Ramachandran.	Accepted.
23.	6.5	The Committee has no reason to think that the Price and Accounts Officer had made a mistake or committed an irregularity in allowing higher freight rates in the case of certain categories of steel items.	Accepted.
24.	6.6 6.7	Besides the case of M/s. Ramkrishan Kulwant Rai in three other cases, viz. those of M/s. J. S. Cohen & Co., Messrs. Apejay (P), Ltd. pre-import licences were issued before the conclusion of the contract with Hindustan Steel Ltd. But in these cases the Committee feels that the Iron and Steel Controller having been given the discretion to satisfy himself about the evidence which would constitute a definite commitment to export, had sufficient reasons to support his view that at the time of the issue of pre-import licences there was a definite commitment by the party with Hindustan Steel Ltd., for purchase of semis for export.	Accepted.
25.	6.9	In four cases, the total value of the import licences issued exceeded the total value of foreign exchange to be earned by exports. In one case the excess was due to miscalculation at the stage of issuing letter order and in the three other cases it was due to the application of incorrect conversion ratio between dollar and rupee at the time of issuing import licences. Sarvashri S. C. Mukherjee and G. N. Sen Gupta were the persons responsible for these omissions.	Accepted. Departmental action would be taken.
26.	6.16	There have been cases where Customs Clearance Permits were issued in excess of the value of foreign exchange copies of licences due to incorrect posting of figures on the back of the foreign exchange copy of licences and in the notes leading to the issue of Customs Clearance Permits. These cases have been referred to the Reserve Bank of India for further inquiry. If the inquiry by them does not disclose any improper act on the part of the parties it would be difficult to say that the officers responsible for excess issue of Customs Clearance Permits had been prompted by any deliberate dishonest motive. But the	

(1)	(2)	(3)	(4)
		responsibility for maintenance of proper record of values of Customs Clearance Permits issued against a particular licence lies with the dealing clerk and the Officer-in-Charge. To this extent the Committee feels that Sarvashri S. B. Basu, D. P. Mitra and B. B. Pathak have failed in their duty.	Accepted. Departmental action would be taken.
27.	6.18	In a number of instances, Customs Clearance Permits were issued at higher rate per ton, than what was admissible under the respective import licence. The imports were made from U.S.A. The parties have furnished the break-up of the prices at which they were imported and Customs Clearance Permits obtained and we have found them reasonable but at the time of issue of C.C.Ps. the concerned officers of the Steel Import Control Branch do not appear to have applied their mind to this aspect and issued the CCPs mechanically.	Accepted.
	6·21	Customs Clearance Permits continued to be issued to M/s. Ramkrishan Kulwantrai after 26-10-1960 notwithstanding Shri S.C. Mukherjee's instructions to the contrary but the Committee feels that although the officers of SIC branch did not carry out the instructions of Shri Mukherjee, no damage or loss was caused by the issue of the CCPs.	Accepted.
29.	6·23	In the matter of keeping a watch on the expiry of bank guarantee the Committee feels that the officers concerned *viz.* Sarvashri Doraswami, L.K. Bose, S. Gupta and G. N. Sen Gupta failed to discharge their responsibility in that they did not ask for their renewal or replacement in time and did not examine the question of their enforceability also.	Accepted. Departmental action will be taken.
30.	6.25	In the case of M/s. J. S. Cohen & Co. the Bank guarantee furnished by the firm was allowed to be reduced in value on the basis of incorrect information about the earning of foreign exchange. The Committee is not satisfied with the explanations of the concerned officers *viz.* Sarvashri Doraswamy, L. K. Bose and G. N. Sen Gupta in this case and is of the view that the officers seem to have exercised no supervision or check on the work of the dealing Assistants and Clerks.	Accepted. Departmental action will be taen.
31.	6.26 6.27	(*i*) On the basis of the sample check that was made, it was found that the allottees paid no more than what was claimed by the importer in their bills.	Accepted.
		(*ii*) The price that was charged by the importers was found to have been fixed on the basis of the c.i.f. price mentioned in the CCP and in terms of the notification of 1952.	Accepted.

(1)	(2)	(3)	(4)
32.	6·30	In the various paragraphs of Chapter VI, the Committee have dealt with the action of various officers who have been found remiss. Most of these officers are either dealing Assistants or lower Gazetted Officers. The defaults committed by them took place many years ago when probably there was pressure of work. These cases might justify disciplinary action being taken. However, it is for Government to decide whether any action should be started after this long lapse of time.	Departmental action will be taken.
33.	6·33	One aspect of the functioning of the Steel Controller's Organisation about which the Committee feel responsible to give its view is that Shri Bam, the Iron and Steel Controller, during the period when most of the cases referred to in this report were dealt with, does not seem to have acted as would be expected of a responsible officer heading an organisation. The impression that he has given is that all policy decisions were taken by the Ministry and the implementation was done by his subordinates. Following from this impression he did not seem to be responsible for any mistakes which occurred during the course of the implementation. No manner of supervision seems to have been exercised by him for otherwise the mistakes which were committed at the level of Deputy Assistant Iron and Steel Controller, namely, the licensing officer, would have come to his notice. The Government might, therefore, consider the appropriate action that may be taken against the then head of the Steel Control Organisation.	Accepted. Departmental action will be taken.
34.	7·9	In the case of barter deal with Messrs. Ramkrishan Kulwantrai (Contract No. 28), the failure to earn foreign exchange was not due to the failure of the Steel Control to see that a contract had been made before the import licences were issued but by reason of the dispute that had arisen.	Accepted.
35.	7·10	(*i*) It would appear that Shri Mukherjee owned up his default at the first opportunity and did his best to rectify the error that he had committed.	Accepted.
		(*ii*) The Committee do not think that the lapse on the part of Shri S. C. Mukherjee is a fit case for initiation of disciplinary action against him.	Accepted.
36.	7·11	Messrs. Ramkrishan Kulwantrai took advantage of the oversight of the Iron and Steel Control Office and avoided the responsibility to export. To this extent adverse notice has to be taken of the action of Messrs. Ramkrishan Kulwantrai.	Accepted. Action will be taken under the Standardised Code.

(1)	(2)	(3)	(4)
37.	7·12	The Committee find it extremely difficult even to suggest that there was any attempt by the officers to cover up any defaut.	Accepted.
38.	7·13	It is difficult to see how a record of the discussions held on the 13th November, 1960 at Dum Dum Air Port could have been made instantaneously for that meeting was not a planned one and only the three heads of the departments accidentally met there and discussed the matter as one of the subjects on which quick action was required. In any case, since the substance of the discussion was fully set out in Shri Bam's letter of 14th November, 1960 and the Committee has no reason to think that the record as kept was in any way incorrect, no harm has been occasioned by the absence of a formal record.	Accepted.
39.	7·14	Shri Bhoothalingam's remark on the copy of Shri Bam's letter dated 13-1-60, to Shri Shrinagesh seems apparently to be a sound one. The unwillingness on the part of Hindustan Steel Ltd. to enter into export contracts for the purpose of barter deals was due to the fact that they were not finding such contracts profitable for various reasons, as they had earlier imagined that they would be. Whether they were right or not in this view is not a matter for this Committee to consider.	Accepted.
40.	7·15	The Committee cannot take the view that Dy. Controller Shri Mukherjee had for dishonest reasons issued the import licence before the export contract had been made by M/s. Ramkrishan Kulwantrai, with Hindustan Steel Limited.	Accepted. (See S. No. 34).
41.	8·2 8·3	In the case of barter deal with M/s Surrendra Overseas, the Committee are not inclined to think that the reasons given by Shri Bam and Shri Mukherjee and also by Shri Bhoothalingam for not taking the Bank Guarantee and for not fixing the import prices are unjustified.	Accepted.
42.	9·6	In the case of M/s Metal Import (P) Ltd. it would be difficult for the Committee to say that the imports effected by the firm against the licence issued to them with the condition "utilisable only against equivalent amount of foreign exchange earned against export" was without a licence.	Accepted.
43.	9·7	The Deputy Controller Shri Mukherjee amended the original condition of the licence on 24-9-59 to read "foreign exchange against this licence is adjustable against Letter of Credit No. 316892 already opened by the buyers	

(1)	(2)	(3)	(4)
		M/s. T. Yamamoto and Co. Ltd., Tokyo in favour of the licencee, representing the value of the exportable pig iron". This amendment has not caused any loss to the country nor has the Committee any reason to think that the amendment was prompted by dishonest motives and hence it is not a fit case for action being taken against Shri Mukherjee.	Accepted.
44.	9.8	The Committee is of the view that the case of Ramkrishan Kulwantrai was clearly a case in which, the import was not intended to have been made irregularly. The licence was originally there, and obviously in all fairness the licencee (R. K. K. R.) were entitled to import the balance quantity which remained after the earlier imports had been made. This is not a case which would justify a view that the party was proceeding on the basis that they could get whatever licence they required out of Steel Controller's Office. It may be added that this barter deal did not result in any shortfall in the earning of foreign exchange.	Accepted.
45.	9.10	There could obviously be no malpractice in connection with the case where S.T.C., being the licensee imported material before issue of import licence. If the correct position is that the Steel Control Organisation had the power to issue a licence after the arrival of the goods, that power, in the present case, was certainly very properly used.	Accepted.
46.	9.11	In the case of the Railway Board where they shipped a consignment of Steel Wheels before the issue of the import licence, the Committee is of the view that it would not have been justifiable for Steel Controller to have refused the licence. If he had done so, the result would have been unnecessary expenditure of Public money ; it would have been something which was not in public interest.	Accepted.
47.	9.15	The Committee has come to the conclusion that, in respect of the orders of re-export of the goods which Messrs Aminchand Payarelal and M/s. Apeejay (P) Ltd., had imported without valid licences and in respect of which the Steel Controller issued the customs clearance permits on condition of re-export, it would not be justifiable to find fault with the action of the Steel Controller Shri A. N. Banerji.	Accepted.
48.	10.15	There can be no doubt that Shri C. Subramaniam had the power to alter something which he had earlier done. The real question is whether he had been led to undo his earlier act by something which might be said to have been improper. On the materials that are before this Committee it is impossible to come to such a finding. The question that remains is whether the reasons that he has	

(1)	(2)	(3)	(4)
		given for the alteration support his action. Inevitably, there has to be discretion left to Minister. This Committee is unable to say that the reasons given by Shri C. Subramaniam have no basis at all. What another person would have done in the circumstances would be an irrelevant question to put.	Accepted.
49.	10.16	While on this subject, this Committee would like to express its surprise at the careless way in which terminology not appropriate to orders under the Standardised Code had been used by various officers. Though that did not happen in this case, such disregard of the appropriate terminology might have frustrated the order intended to be passed. Also there appears to have been an appalling lack of knowledge of the procedure prescribed by that Code.	Accepted.
50.	11.3	With regard to the complaint made by Shri Senthiappan, the then Assistant Iron and Steel Controller, Madras, relating to the irregularities in respect of distribution of steel by M/s. Ramkrishan Kulwantrai, the relevant file in the office of the Steel Control not being available it has not been possible to find out the reasons that weighed with the Steel Controller, in coming to the decision that he had. Hence it has not been possible for the Committee to say, whether any irregularity had been committed by the officers of the Iron and Steel Control, Calcutta, and whether there are any grounds to say that the decision contained in the Steel Controller's Order, dated 17th October, 1959 was unreasonable.	Accepted.
51.	11.4	With regard to the complaint made by Shri Senthiappan relating to the irregularities in respect of distribution of Steel by M/s. Surrendra Overseas (P) Ltd.; it has not been possible for the Committee to fix responsibility for the lapses, if any, in not taking action against M/s. Surrendra for want of complete information on this subject.	Accepted.
52.	11.8	With regard to the irregularities pointed out by Shri Senthiappan relating to the claim of M/s. Ramkrishan Kulwantrai for reimbursement of removal charges, the Committee is unable to say if the irregularities pointed out by Shri Senthiappan are substantiated or not since the relevant records in the offices of the port trust and the Steel Controller are not available as they have been destroyed with efflux of time. It may be added that in the case of M/s. Ramkrishan Kulwantrai, the Iron and Steel Controller refused to accept the firm's claim for reimbursement of removal charges as they failed to produce the final permission of the regional office at Madras. Consequently no loss has been caused to Government.	Accepted.

(1)	(2)	(3)	(4)
53.	12.1	Considering the circumstances of the case, the Committee is of the view that the Ministry of Steel cannot be blamed for recommending the issue of industrial licences to M/s. Khemchand Rajkumar for installation of Tin Plate Manufacturing Unit.	Accepted.
54.	13.5	In the case of barter deals other than semis barter it can be construed that the items allowed for import by the Iron and Steel Controller were indeed those which were essential for the economy of the country.	Accepted.
55.	13.7	All the barter transactions were commercial transactions and the overall picture would go to show that ultimately there was no net shortfall in earning of foreign exchange.	Accepted.
56.	14.2	In the case of actual users licensing where Iron and Steel Controller issues licences on the recommendation of various sponsoring authorities, the Committee have not come across any irregularity.	Accepted.
57.	14.3	In the case of actual users licensing where Iron and Steel Controller himself is the sponsoring authority, the procedure for allocating foreign exchange to each individual unit was found to be unsatisfactory.	Accepted.
58.	15.2 15.6	(*i*) The Committee has no reason to think that there was discrimination in favour of any one firm.	Accepted.
		(*ii*) There was no set procedure, and there was complete lack of co-ordination between the various sections of the Steel Control Office.	
		The Committee considers that there has not been any real loss to Government in these cases. The Committee observes that there was no supervision or administrative control by the Head of the Organisation.	Accepted. Steel Ministry to take necessary action.
59.	13.8	There have been several minor irregularities in the matter of issue of CCPs but it is not worthwhile to pursue them.	Accepted.
		Several amendments of the licences were made by the Steel Controller but no objection can be taken for the reason that the amendments related to items of steel, and such amendments were covered by quota certificates or allowed under the import policy.	Accepted.

H. LAL,
Secretary to the Government of India.

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